

Message Text

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PASS EXIM BANK

PASS ASSISTANT TO PRESIDENT FOR ECONOMIC AFFAIRS

E.O. 11652: N/A

TAGS: ETRD, PL

SUBJECT: GNERAL MOTORS LIGHT-VAN PROJECT

1. I MET TODAY WITH JAMES GRAY AND JACK CONNOR OF THE NATIONAL ASSOCIATION OF MACHINE TOOL BUILDERS WHO ARE IN POLAND TO INFORM THEMSELVES ABOUT THE CURRENT STATUS OF THE NEGOTIATIONS ON THE CONTRACT FOR THE GM LIGHT-VAN PROJECT. MR. GRAY MET WITH VICE MINISTER OF THE MACHINE INDUSTRY SZOTEK, VICE MINISTER OF FOREIGN TRADE DLUGOSZ, AND OTHERS. MR. GRAY SAID THAT THE POLISH LEADERSHIP I
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STILL GIVING HIGH PRIORITY TO THE COMPLETION OF NEGOTIAIONS ON THIS PROJECT. SZTOEK INDICATED THAT THE POLES WOULD REQUEST AN EXTENSION OF THE SEPTEMBER 30 EXPIRATION DATE FOR EXIM'S PRE-LIMINARY COMMITMENT. GRAY EXPRESSED SERIOUS CONCERN AT WHAT HE CONSIDERS THE FAILURE OF THE EXPORT-IMPORT BANK TO CONSIDER ADEQUATELY ALL THE COMPETITIVE FACTORS INVOLVED IN THE GM NEGOTIATIONS. GRAY BELIEVES STRONGLY THAT THE FINAL TERMS OF FINANCING WILL HAVE A STRONG BEARING ON WHETHER THE DEAL IS SWUNG TO GM OR TO FRENCH, ITALIAN, OR

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JAPANESE COMPETITORS.

2. GRAY REFERRED SEVERAL TIMES TO THE EXCHANGE OF CORRESPONDENCE BETWEEN DEPUTY SECRETARY OF DEFENSE CLEMENTS AND EXIM PRESIDENT DUBRUL, AS WELL AS TO ARTICLES CARRIED IN THE EVANS-NOVAK SYNDICATED COLUMN ON THIS PROJECT. GRAY WAS EMPHATIC THAT THE EVANS-NOVAK ARTICLE OF SEPTEMBER 24 COULD NOT HAVE COME FROM INFORMATION LEAKED BY HIS ASSOCIATION. HE ALSO LEFT WITH ME A COPY OF MR. DUBRUL'S LETTER OF SEPTEMBER 3 TO MR. CLEMENTS. GRAYS SAID THAT, CONTRARY TO STATEMENTS IN THE DUBRUL LETTER, STIFF COMPETITION WAS BEING FACED FROM ITALIAN AND FRENCH MACHINE-TOOL SUPPLIERS, WHICH WERE SUPPORTED BY LOWER INTEREST RATES FROM THEIR GOVERNMENTS. HE SAID THAT EXIM'S ASSERTION THAT ITS FINANCIAL TERMS WERE ADEQUATE BECAUSE THEY EQUALLED THE TERMS OFFERED BY THE GERMANS WAS THEREFORE MISLEADING. GRAY ALSO SAID THAT IT WOULD BE UNREALISTIC TO EXPECT ANY GENERAL PREFERENCE ON THE PART OF GM FOR AMERICAN-BUILT MACHINERY TO SWAY THESE ORDERS IN THE FACE OF INADEQUATE FINANCIAL TERMS. GRAY SAID THAT GM WAS JUST AS LIKELY TO PLACE ITS MACHINE-TOOL ORDERS IN EUROPE AS IN THE US AND THAT, IN ANY CASE, FINAL DECISION ON THESE ORDERS WOULD REST WITH METALEXPORT, AND NOT GM.

3. GRAY REPEATED THAT HE HAD MADE THE POINTS IN PARA 2 ABOVE TO SEVERAL EXIM BANK OFFICIALS IN MID-AUGUST AND THAT HE THEREFORE WAS VERY DISMAYED TO SEE THESE FACTS DISTORTED IN THE DUBRUL-CLEMENTS LETTER OF SEPTEMBER 3. GRAY IMPLIED THAT THE KEEN CONGRESSIONAL INTEREST IN THIS CASE WOULD PROBABLY RESULT IN HEARINGS ON THE HANDLING OF THE LOAN. GRAY EMPHASIZED THAT THE EMPLOYMENT AND NATIONAL-SECURITY ARGUMENTS HAD DEVELOPED STRONG CONGRESSIONAL INTEREST IN THIS PROJECT. GRAY SAID THAT, IF THE CONTRACT WERE LOST DUE TO THE TERMS OF FINANCING, EXIM'S MISREPRESENTATION (THIS IS GRAY'S TERM) ON THE QUESTION OF FOREIGN COMPETITION WOULD BE HARD TO SWALLOW ON THE HILL.

4. COMMENT: GRAY'S ALLEGATION THAT FACTORS SUR-
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ROUNDING THIS LOAN HAVE BEEN MISINTERPRETED OR MISREPRESENTED BY EXIM IS OBVIOUSLY A SERIOUS ONE. I AM CALLING IT TO THE ATTENTION OF INTERESTED AGENCIES IN WASHINGTON IN ORDER TO MAKE SURE THAT, WHATEVER THE DECISION ON LOAN TERMS TO BE GRANTED FOR THE GM PROJECT, USG AGENCIES WILL HAVE TAKEN ALL RELEVANT FACTORS INTO CONSIDERATION. AS INDICATED DURING THE VISIT OF SBA ADMINISTRATOR

KOBELINSKI LAST WEEK, THE SETTLEMENT OF NON-FINANCIAL
QUESTIONS WITH GM IS PROBABLY THE IMMEDIATE HURDLE
IN GETTING FURTHER PROGRESS IN THE NEGOTIATIONS. GRAY
IS CONVINCED, HOWEVER, THAT THE TERMS OF FINANCING
WILL BECOME A KEY FACTOR AND THAT EXIM'S CURRENT TERMS
WILL SIMPLY NOT BE ADEQUATE TO CARRY THE DAY.
DAVIES

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